



Council Meeting: January 26, 2010

SUBJECT: Resolution to Accept State Infill Infrastructure Grant Funds and to Loan Funds to MP Fair Oaks I, L.P., for the Fair Oaks Senior Housing Project

BACKGROUND

The City and Mid-Peninsula Housing Coalition (MPHC), as joint applicants, applied for an Infill Infrastructure Grant of \$6.6 million from the State of California Housing and Community Development Department (HCD) to support the development of the Fair Oaks Senior Housing Project at Fair Oaks Avenue in Sunnyvale. HCD awarded this grant to the City and MPHC in June 2009. The funds may be used to pay for the costs of infrastructure improvements required for the project, such as utility, street and sidewalk improvements, and related pedestrian and transit facilities (e.g., VTA bus stop shelter) adjacent to the project. HCD requires the City to adopt a resolution, substantially in the form shown in **Attachment 1** to this report, as a pre-condition of providing the grant funds.

Staff recommends **Alternative 1**: Adopt resolution to Accept State Infill Infrastructure Grant Funds and to Loan Funds to MP Fair Oaks I, L.P., for the Fair Oaks Senior Housing Project.

EXISTING POLICY

General Plan Housing Element Policies:

- Policy A.7:* Support collaborative partnerships with non-profit organizations, affordable housing builders, and for-profit developers to gain greater access to various sources of affordable housing funds.
- Policy E.3:* Continue to address the special housing needs of seniors through provision of affordable housing and services[...].
- Policy F.2:* Promote neighborhood vitality by providing adequate community facilities, infrastructure, landscaping and open space, parking, and public health and safety within new and existing neighborhoods.

DISCUSSION

The State provides the Infill Infrastructure Grant funds to the City as a grant, and the City must then pass on the funds to the non-profit developer in the form of a zero percent (0%) interest deferred loan with a 55-year term. The Infill loan would be junior to the other two loans the City has provided to the

project with local housing funds. The developer has received all other funding needed for the project, is completing site work according to schedule, and is ready to begin construction of the housing project in mid-March, assuming the Infill Grant agreements are received and executed within the next few weeks as anticipated.

FISCAL IMPACT

Adoption of the resolution as recommended will enable the City to obtain \$6.6 million in Infill Grant funds for the Fair Oaks senior housing project in time to begin the housing construction according to schedule. The loan servicing requirements can be met within the Housing Division's current operations as part of its ongoing housing loan servicing and portfolio management activities. This action will not impact the General Fund.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's Web site.

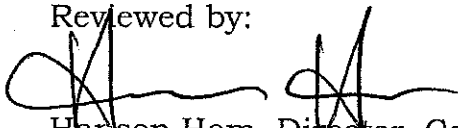
ALTERNATIVES

1. Adopt resolution as shown in Attachment 1.
2. Adopt resolution with minor modifications.
3. Do not adopt resolution and forego \$6.6 million grant. This action will jeopardize the Fair Oaks Housing Project.

RECOMMENDATION

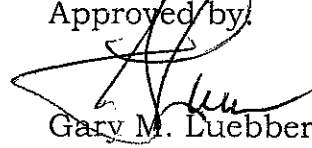
Staff recommends Alternative 1.

Reviewed by:


Harrison Hom, Director, Community Development Department

Prepared by: Suzanne Isé, Housing Officer Si

Approved by:


Gary M. Luebbers
City Manager

Attachments

Attachment 1: Draft Resolution

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF SUNNYVALE TO ACCEPT STATE INFILL
INFRASTRUCTURE GRANT FUNDS AND TO LOAN
FUNDS TO MP FAIR OAKS I, L.P. FOR THE FAIR OAKS
SENIOR HOUSING PROJECT**

WHEREAS, in June 2009, the State of California Department of Housing and Community Development ("the Department") awarded an Infill Infrastructure Grant of \$6.6 million to the City of Sunnyvale and Mid-Peninsula Housing Coalition ("the Co-Recipients"), for construction of infrastructure required for development of 124 affordable rental apartments for lower-income seniors located at 680, 684 and 690 S. Fair Oaks Avenue in the City of Sunnyvale ("the Project"); and

WHEREAS, the Department has authorized the City of Sunnyvale as Co-Recipient to make a loan of the Infill Grant funds to MP Fair Oaks I, L.P. (the "Limited Partnership") which is the owner of the Housing Development for tax credit purposes; and

WHEREAS, Mid-Peninsula Housing Coalition, a Co-Recipient, controls the general managing partner of the Limited Partnership, which general managing partner shall retain full control of the Limited Partnership; and

WHEREAS, the loan of Infill Infrastructure Grant funds made by the City to the Limited Partnership shall bear interest at zero (0) percent with a term of at least 55 years; and

WHEREAS, the terms of the loan shall be set forth in a loan agreement between the City of Sunnyvale, as Co-Recipient, and the Limited Partnership, and the loan agreement shall be subject to the approval of the Department; and

WHEREAS, the City of Sunnyvale, as the Co-Recipient lender, hereby accepts responsibility for all aspects of establishing, documenting and servicing the loan; and

WHEREAS, the provisions governing the loan shall be entirely consistent with the Infill Grant Guidelines and all documents required by the Department with respect to the use and disbursement of Program funds. All documents governing the loan shall be subject to the review and approval of the Department prior to making the loan.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Sunnyvale hereby agrees to accept and make a loan of the Infill Infrastructure Grant funds under the terms of the Standard Agreement and associated agreements provided by the Department;

BE IT FURTHER RESOLVED that the City Council of the City of Sunnyvale hereby authorizes the City Manager or his/her designee to take any and all further actions necessary to satisfy the Department's conditions for disbursing the Infill Grant funds to City, and to make the City loan of the Infill Funds to the Limited Partner;

BE IT FURTHER RESOLVED that the City Manager, or his/her designee, is hereby authorized and directed to execute the Loan Documents, Grant Agreement, and associated documents, and to take any and all further actions necessary to facilitate making the City loan of the Infill Funds and to accomplish the activities contemplated by the foregoing resolutions.

This resolution shall be in full force and effect the date of its adoption.

Adopted by the City Council at a regular meeting held on _____, 2010, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

APPROVED:

City Clerk
(SEAL)

Mayor

APPROVED AS TO FORM AND LEGALITY:

David Kahn, City Attorney